

individual. If the consultant is a company, the company will relay its reportable contributions and reportable payments to the dealer, as well as those made by any partner, director, officer or employee of the consultant who communicates with issuers to obtain municipal securities business on behalf of the dealer, and any PAC controlled by the consultant or any partner, director, officer or employee of the consultant who communicates with issuers to obtain municipal securities business or behalf of the dealer. Dealers will report this contribution and payment information to the Board on Form G-37/G-38 by contributor category (*i.e.*, company, individual, company controlled PAC, or individual controlled PAC).

#### IV. Conclusion

*It is Therefore Ordered*, pursuant to Section 119(b)(2)<sup>10</sup> of the Act, that the proposed rule change, as amended (SR-MSRB-00-02) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>11</sup>

**Margaret H. McFarland,**  
*Deputy Secretary.*

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## SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-43894; File No. SR-NASD-01-04]

### Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to Dual Reporting of Transactions in Certain Fixed Income Securities

January 26, 2001.

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 ("Act")<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 5, 2001, the National Association of Securities Dealers, Inc. ("NASD" or "Association") filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the NASD. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

#### I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change

The NASD proposes to amend NASD Rule 6230(b) to require trade reports in transactions in eligible fixed income securities between two members to be filed with the NASD by each member. Below is the text of the proposed rule change. Proposed new language is underlined; proposed deletions are in brackets.

\* \* \* \* \*

#### 6200. TRADE REPORTING AND COMPARISON ENTRY SERVICE (TRACE)

\* \* \* \* \*

##### 6230. Transaction Reporting

(a) No change.  
(b) Which Party Reports Transaction  
Trade data input obligations are as follows:

(1) In transactions between two members, *both members* [the member representing the sell-side] shall submit a trade report to TRACE;

(2) In transactions involving a member and a non-member, including a customer, the member shall submit a trade report to TRACE.

(c)-(f) No change.

\* \* \* \* \*

#### II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the NASD included statements concerning the purpose of, and basis for, the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The NASD has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

##### A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

###### 1. Purpose

In conjunction with the Commission's approval of rules governing the NASD's Trade Reporting and Comparison Entry Service ("TRACE Rules" or "Rule 6200 Series") (SR-NASD-99-65),<sup>3</sup> NASD is

<sup>3</sup> On January 23, 2001, the Commission approved NASD rules 6210 through 6260 relating to reporting and dissemination of transaction information on eligible fixed income securities, and granted accelerated approval to Amendment No. 4 to those rules. Securities Exchange Act Release No. 43873 (January 23, 2001).

proposing an amendment to NASD Rule 6230(b). The proposed amendment would require a member to submit a trade report to the NASD if the member is either the buy- or the sell-side of a transaction in an eligible fixed income security under the Rule 6200 Series. Rules 6230(b), as approved, currently requires only the member who represents the sell-side to submit a trade report to the NASD.

The Association is proposing the amendment to Rule 6230(b) to provide for reporting by both the buy- and sell-side of the transaction ("dual trade reporting") in order to improve the quality of the transaction data for surveillance purposes. The amendment is proposed in lieu of previously proposed rule 6231, which the Association deleted from SR-NASD-99-65 when it filed Amendment No. 4 thereto.<sup>4</sup> Deleted rule 6231 would have required that both sides to a trade submit to the NASD duplicate copies of the transaction information they submitted to their registered clearing agency for purposes of clearance and settlement of their trades. The Association deleted proposed rule 6231 from the rule 6200 Series in response to industry comments. Although the Association deleted from SR-NASD-99-95 proposed rule 6231 based on industry comments that the proposed rule was overly burdensome, for regulatory purposes the NASD represents that it must receive reports from both sides of trades in eligible fixed income securities. As a result, the NASD is proposing to amend rules 6230(b) because the amended provision would provide the NASD with the information it believes is necessary to conduct market surveillance. In addition, the proposed revision to rule 6230(b) is believed to be less burdensome to the industry than previously proposed rule 6231 for the following reason. As previously structured, the TRACE rules would have required members to engage in two software development efforts—one to comply with the requirement to report sell-side information within one hour to the Association in rule 6230 and another to meet the requirements of Rule 5231 for the submission of clearing information at the close of business. The proposed amendment to rule 6230(b) will allow members to engage in one software development effort to comply with TRACE requirements.

Although the Association's proposal will require the dual real-time reporting of sell-side and buy-side trade

<sup>4</sup> The NASD filed Amendment No. 4 to SR-NASD-99-65 on January 5, 2001.

<sup>10</sup> 15 U.S.C. 78s(b)(2).

<sup>11</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

information, only the sell-side information will be disseminated, thus avoiding the dissemination of two trade reports for the same trade. The buy-side information that is collected will be used for regulatory purposes.

## 2. Statutory Basis

The NASD believes that the proposed rule change is consistent with the provisions of section 15A(b)(6) of the Act, which requires among other things, that the NASD's rules must be designed to prevent fraudulent and manipulative acts and practice, to promote just and equitable principles of trade, and in general, to protect investors and the public interest. the NASD's proposed rule change, if approved, will establish additional rules for the reporting of information on eligible fixed income transactions that will provide the NASD, as the self-regulatory organization designated to regulate the over-the-counter markets, with heightened capabilities to regulate the fixed income markets in order to prevent fraudulent and manipulative acts and practices. The proposed rule change, by requiring reporting of such transaction information, will protect investors and the public interest, by among other things, increasing transparency in the fixed income markets.

### *B. Self-Regulatory Organization's Statement on Burden on Competition*

NASD does not believe that the proposed rule change will result in any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act, as amended. See the amended statement on burden on competition contained in Amendment No. 4 to SR-NASD-99-65, which also fully applies to this current rule proposal.

### *C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received From Members, Participants, or Others*

While comments were neither solicited nor received concerning this rule proposal, several commenters on SR-NASD-99-65 indicated that a dual trade reporting approach for eligible fixed income securities is appropriate.<sup>5</sup> These comments confirmed that previously proposed rule 6231,

contained in the original TRACEE Rules in SR-NASD-99-65, would have required member firms to engage in additional software development efforts and would have required member firms to duplicate the existing clearance data transmission and retention process by re-sending this data to the Association after having sent it to the clearing entities. In light of these comments, the Association is proposing this rule change to require dual trade reporting to the Association for transactions of eligible fixed income securities between two members as a less burdensome approach.

### **III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action**

Within 35 days of the date of publication of this notice in the **Federal Register** or within such longer period (i) as the Commission may designate up to 90 days of such date if it finds such longer period to be appropriate and publishes its reasons for so finding or (ii) as to which the Association consents, the Commission will:

(A) By order approve such proposed rule change, or

(B) Institute proceedings to determine whether the proposed rule change should be disapproved.

### **IV. Solicitation of Comments**

The Commission invites interested persons to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Persons making written submissions should file six copies thereof with the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW., Washington, DC 20549-0609. Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are file with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for inspection and copying in the Commission's Public Reference Room. Copies of such filing will also be available for inspection and copying at the principal office of the NASD. All submissions should refer to File No. SR-NASD-01-04 and should be submitted by February 23, 2001.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>b</sup>

**Margaret H. McFarland,**

*Deputy Secretary.*

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## **SECURITIES AND EXCHANGE COMMISSION**

**[Release No. 34-43893; File No. SR-NASD-01-09]**

### **Self-Regulatory Organizations; Notice of Filing of Proposed Rule Change by the National Association of Securities Dealers, Inc. Relating to Implementation of Decimal Pricing in the Nasdaq Market**

January 26, 2001.

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 ("Act"),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on January 25, 2001, the National Association of Securities Dealers, Inc. ("NASD" or "Association"), through its wholly owned subsidiary, the Nasdaq Stock Market, Inc. ("Nasdaq"), filed with the Securities and Exchange Commission ("Commission") the proposed rule change as described in Items I, II and III below, which Items have been prepared by Nasdaq. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

### **I. Self-Regulatory Organization's Statement of the Terms of Substance of the Proposed Rule Change**

Nasdaq proposes to modify several NASD rules to support the implementation of decimal pricing in the Nasdaq market as outlined in the Decimals Implementation Plan For the Equities and Options Markets ("Implementation Plan" or "Plan") submitted to the Commission on July 24, 2000. Nasdaq will implement these rule changes pursuant to the Plan starting on March 12, 2001 for each security converted to decimal pricing under the Plan. Securities not trading in decimal increments will continue to be governed by the current fractional versions of these rules. The text of the proposed rule change is below.

Proposed new language is in *italics*.

\* \* \* \* \*

<sup>b</sup> 17 CFR 200.30-3(a)(12).

<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>5</sup> See Letters from Noland Cheng, Chairman, Fixed Income Transparency Subcommittee of the Securities Industry Association's Operations Committee (December 20, 2000) and Messrs. William H. James, III, 1999 Chairman, Vincent Murray, 2000 Chairman, and Thomas Thees, 2001 Chairman, Corporate Bond Division, The Bond Market Association (December 20, 2000).